

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**ID #13056
RESOLUTION E-4650
June 26, 2014**

R E S O L U T I O N

Resolution E-4650. San Diego Gas & Electric Company (SDG&E) requests approval of Special Conditions Contract #20131212 (SCC) with Solar Turbines to build a new 12kV electric distribution line extension to their test facility, and to add this contract into SDG&E's List of Contracts and Deviations. These requests are deviations from Rules 15 and 16.

PROPOSED OUTCOME:

- This resolution approves SDG&E's requests of the SCC and adds this contract into SDG&E's List of Contracts and Deviations.

SAFETY CONSIDERATIONS:

- This resolution approves SDG&E's request of a SCC with Solar Turbines. Utilities are expected to comply with all federal and state safety regulations, including Public Utilities Code Section 451.

ESTIMATED COST:

- Solar Turbines pays the entire installation cost of \$2,371,030.00 upfront.

By Advice Letter 2569-E Filed on January 17, 2014.

SUMMARY

California Public Utilities Commission (CPUC) approves Special Conditions Contract #20131212 (SCC) between SDG&E and the Solar Turbines, and adds this contract into their List of Contracts and Deviations because the SCC is consistent with Electric Rules 15 and 16, and ratepayers are protected with the upfront payment.

On January 17, 2014, SDG&E requested authorization from the CPUC for approval of a SCC with Solar Turbines to build a new 12kV electric distribution line extension to SDG&E's test facility through Tier 2 Advice Letter 2569-E.

These requests for deviations from Rules 15 and 16 require Solar Turbines to pay the entire project cost in advance, not just the amount of the line extension project costs in excess of the allowance.

SDG&E filed Advice Letter 2569-E as Tier 2. Tier 3 is more appropriate because this Advice Letter deviates from tariff rules which does not follow directly from the statute or Commission order, and under General Order 96-B, Energy Industry Rule 5.3, a tariff rule change which does not follow directly from the statute or Commission order must receive a disposition via Resolution.

No protests were received.

This Resolution approves SDG&E's requests of a SCC with Solar Turbines and adds this contract into SDG&E's List of Contracts and Deviations.

BACKGROUND

Solar Turbines plans to install a new test facility on their property where their existing building is receiving service from SDG&E. The load of the new test facility may reach 8 mega volt amps (MVA) during peak use, which exceeds the available remaining capacity on their existing distribution line to their building. Hence, they request to build a new 12 kV distribution line extension. The load of the test facility will need most of the capacity of the new line extension, and Solar Turbines has requested that the remaining capacity be available in case load increases for the test facility.

On December 18, 2013, Solar Turbines and SDG&E signed SCC #20131212 to construct and install a 12kV primary distribution circuit from Mesa Heights Substation to the switchgear at Solar Turbines' new test facility located at 9250 Sky Park Ct., San Diego, California. This installation will be performed as a distribution line extension under Rule 15 and a service extension under Rule 16 of SDG&E's electrical tariff.

Rule 15, Distribution Line Extensions sets forth the provisions for extending electric distribution lines of voltages less than 50 kV for purposes of furnishing electric services to customers.

Rule 16, Distribution Line Extensions specifies the requirements for both (1) utility service facilities that extend from a utility's distribution line facilities to the service delivery point, and (2) service related equipment required of an applicant on applicant's premises to receive electric service.

Rule 15 specifies that when line extension project costs are in excess of the allowance provided by the utility, the applicant is required to pay in advance the difference before work commencement. This cash advance requirement applies towards refundable and non-refundable project costs. This pre-payment provision also is contained within Rule 16, Service Extensions.

An allowance is the amount of refundable distribution and service extension cost expected to be supported by the net annual distribution revenue from the new customer. It is the annual expected net distribution revenue divided by the Cost of Service (COS) factor. COS factor comprises a percentage of the infrastructure value for operation and maintenance, depreciation, administration, taxes, and rate of return, etc. COS factor is determined in a General Rate Case (GRC) proceeding.

Since the electrical load from the Solar Turbines test facility is uncertain, SDG&E wishes to deviate from its practice for Electric Tariff Rules 15 and 16 to categorize this project as a "Special Condition" and require Solar Turbines to pay the entire project cost of \$2,371,030 up-front because an allowance calculation based on uncertain load might be unjust to other ratepayers.

Special Condition of Section I.3 of Electric Rule 15 and Exceptional Cases of Section G of Electric Rule 16 both state that:

"When the application of this rule appears impractical or unjust to either party or the ratepayers, utility or applicant may refer the matter to the Commission for a special ruling or for special condition(s), which may be mutually agreed upon."

Under Section E of Electric Rule 15, Solar Turbines will receive an annual refund of a portion of the actual cost paid toward the extension facility. The cumulative amount refunded shall not exceed the actual cost paid by the Solar Turbines and

refund of payments for the extension facilities will be based on actual net distribution revenues generated from the sale of electricity to Solar Turbines at the test facility. The refund period is 10 years, after which any remaining balance becomes the property of SDG&E.

NOTICE

Notice of AL 2569-E was made by publication in the Commission's Daily Calendar. SDG&E states that copies of the Advice Letters were mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter AL 2569-E was not protested.

DISCUSSION

CPUC staff recommends approval because the Special Conditions Contract is consistent with Electric Rules 15 and 16, and ratepayers are protected with the upfront payment of Solar Turbines.

CPUC staff evaluated this request based on compliance with Electric Rules 15 and 16, and the rate impact on other ratepayers.

Compliance with Rules 15 and 16

SDG&E and Solar Turbines both agree that because the nature of the electrical load from the Solar Turbines test facility is uncertain, the distribution line extension project should be classified as a "Special Condition" in Rules 15 and "Exceptional Cases" of Rule 16. Allowance calculation based on uncertain load might be unjust to other ratepayers. Hence, this mutual agreement of the parties is consistent with the intent of the electric tariff rules.

Rate Impact on Other Ratepayers

The new distribution line extension will not benefit or serve any other ratepayers in the foreseeable future. Therefore, the Special Conditions Contract requires up-front payment from Solar Turbines for the entire project cost in advance, plus any applicable ITCC (Income Tax Component of Contributions) tax, not just the amount of the line extension project costs in excess of the allowance. This contract eliminates the risk and reduces the rate impact to other ratepayers.

In conclusion, SDG&E's requests for deviations from Rules 15 and 16 to build a 12kV distribution line extension to Solar Turbines' new test facility, and to add this contract into SDG&E's List of Contracts and Deviations are consistent with Electric Rules 15 and 16, and ratepayers are protected with the upfront payment of Solar Turbines. The CPUC should approve and grant these requests.

COMMENTS

P.U. Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to waive the 30-day waiting period required by P.U. Code section 311(g)(1) and the opportunity to file comments on the draft resolution. Accordingly, this matter will be placed on the CPUC's agenda directly for prompt action.

FINDINGS

1. By Advice Letter 2569-E dated January 17, 2014, SDG&E requests for approval of Special Conditions Contract #20131212 (SCC) with Solar Turbines to build a new 12kV electric distribution line extension to their test facility, and to add this contract into SDG&E's List of Contracts and Deviations. Advice Letter 2569-E requests approval of deviations from distribution line extension rules under Rule 15 and service extensions rules under Rule 16 of SDG&E's electrical tariff.
2. SDG&E filed Advice Letter 2569-E as Tier 2. Tier 3 is more appropriate because this Advice Letter deviates from tariff rules which does not follow directly from the statute or Commission order, and under General Order 96-B, Energy Industry Rule 5.3, a tariff rule change which does not follow directly from the statute or Commission order must receive a disposition via Resolution.
3. SDG&E and Solar Turbines both agreed that because the nature of the electrical load from the Solar Turbines test facility is uncertain, the distribution line extension project should be classified as a "Special Condition" in Rule 15 and "Exceptional Cases" of Rule 16. Allowance calculation based on uncertain load might be unjust to other ratepayers.

4. Solar Turbines will pay the entire installation cost of \$2,371,030 upfront.
5. Solar Turbines will receive an annual refund of a portion of the actual cost paid toward the extension facility based on the actual net distribution revenues generated from the sale of electricity to Solar Turbines at the test facility.
6. The CPUC should approve and grant these requests because the Special Conditions Contract is consistent with Electric Rules 15 and 16, and ratepayers are protected with the upfront payment of Solar Turbines.

THEREFORE, IT IS ORDERED THAT:

1. Advice Letter 2569-E is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 26, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director